

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 003114

SIPDIS

STATE FOR EAP/TC AND NP/ECC
STATE PASS USTR/KI
STATE PASS AIT/W/RUZICKA

E.O. 12958: DECL: 07/19/2014

TAGS: [ETTC](#) [KSTC](#) [PARM](#) [TW](#)

SUBJECT: DEMARCHE ON TAIWAN'S EXPORT CONTROLS

REF: A. A) STATE 213006

- [B. B\) TAIPEI 3001](#)
- [C. C\) TAIPEI 3019](#)
- [D. D\) TAIPEI 3051](#)

Classified By: AIT Economic Chief Daniel Moore; REASONS 1.4 (B,D)

[1. \(C\) Summary:](#) AIT Econ delivered ref A talking points to BOFT on October 5, and to NSC on October 6. BOFT reported that on September 30, Taiwan Customs stopped two shipments of machine tools being shipped by Ching Hwee to "COSCO Logistics" in Dalian, China (across the bay from North Korea). NSC stated that unless there was proof machine tools would be used to produce arms, there was no legal basis to stop their export. End Summary.

Shipments Stopped as Result of U.S. Information

[2. \(C\) After](#) AIT delivered ref A talking points on October 5, BOFT reported that on September 30, Taiwan Customs had acted on the instructions contained in the BOFT-DGC letter reported ref B (Taipei 03051) and stopped two Ching Hwee shipments of machine tools leaving Taichung Harbor bound for "COSCO Logistics" in Dalian City, Liaoning Province, China (a major container port just across the bay from North Korea). In response to Ching Hwee,s complaints over this action, BOFT informed Ching Hwee executives that the action was taken due to suspicions that the machine tools were destined for North Korea, and for use in arms production. BOFT explained that according to Taiwan,s export control &catch-all8 provisions, although the machine tools are not on any sensitive high-tech commodity (SHTC) list, the possibility that the goods could be used in weapons manufacturing made them subject to export controls.

Taiwan,s Ching Hwee and North Korea,s Ryonha

[3. \(C\) BOFT](#) noted that Ching Hwee does not export any goods on the SHTC list and has never applied for an SHTC permit. In fact, according to BOFT,s investigation, Ching Hwee does not product any goods at all, but is only a trading company. According to BOFT, Ching Hwee has a total capitalization of only about US\$ 1 million and is owned by four private individuals, who also serve as company executives. If true, this raises the question of what Ching Hwee would have to offer in a joint venture with the Ryonha Company. BOFT said it will continue and deepen its investigation of Ching Hwee and compile information on all of the company,s exports and imports.

Strange Information

[4. \(SBU\)](#) A quick search of the internet shows that the Ryonha Machinery Joint-Venture Company can be contacted through its office in Pyongyang, North Korea. According to Taiwan Customs, shipping documents, the Ryonha Company is one of the main purchasers of Ching Hwee,s machine tool exports. However, strangely, the Ryonha Company website indicates that it manufactures and exports sophisticated CNC, electric discharge, and machining center machine tools similar to those that it imports from Ching Hwee. In fact, according to press reports, the Ryonha Company exhibits its machine tools, which have been certified by the International Standards Organization to meet ISO 9002 standards, at an international industrial exhibition held in Pyongyang each year. While the Korean letters in the Ryonha name are phonetic and without exact Chinese equivalents, the same letters are used by Koreans to phoneticize the main Chinese character in Dalian. The name Ryonha could be taken to mean &little Dalian.8 If Washington agencies know the Chinese characters used to write Ryonha, this information would be useful to AIT in further researching the company.

How the United States Can Champion Strict Export Control

[5. \(C\) BOFT](#) indicated they would like to see further restrictions on exports of machine tools from Taiwan to North

Korea, but needed support from the United States in the interagency struggle within the Taiwan government. Specifically, BOFT repeated its request for information on the restrictions that Japan, South Korea, Italy, Germany, and other countries place on machine tool exports to North Korea. If these countries restrict machine tool exports to North Korea, that would be a strong argument in persuading Taiwan agencies to agree to do likewise. Second, BOFT mentioned the P2S5 chemical that was seized earlier this year in Kaohsiung at the request of U.S. agencies. BOFT indicated that U.S. assistance in helping to get rid of the stuff would be a criterion in determining future cooperation. BOFT said Taiwan's Environmental Protection had refused to dispose of the chemical. BOFT was unaware if the United States has provided instructions on disposal.

NSC Response to Talking Points

16. (C) The NSC response to the Ref A talking points on delivered on October 6 was cordial, but not as forthcoming. In response to the suggestion that Taiwan should stop machine tool to North Korea the NSC officials said that there were no legal grounds for stopping these shipments. When AIT suggested that Taiwan's catch-all provisions provided a legal basis, NSC officials said even with the products sent to North Korea, there was no proof the machines were procured to produce weapons. It would be even more difficult to prove that shipments to third territories or front companies were intended for weapons production. The NSC officials suggested better information sharing with the United States and international export control agencies might help address this issue of proof. They seemed interested in attending the planned EXBS workshop on export control laws and regulations that will be held in Taipei in November.

17. (C) Comment: Export control is apparently a hotly debated issue within the Taiwan government, with BOFT and Customs already going well beyond what the NSC sees as the limits of current legislation. AIT believes that providing BOFT with the arguments it needs to prevail in the interagency debate would be an effective tactic in getting stronger exports control in Taiwan. End comment.

PAAL
PAAL